

WFGD OnlyDefinitions

**Base Estimate:** Based on detailed capital cost estimate dated 9/1/11, recalibrated to latest project implementation schedule (equivalent to Case 1 cash flow issued on 12/8/11). The original 9/1/11 estimate was based on a standardized project schedule.

**Low Estimate:** Based on reduction of base estimate in following areas:

- 1) Using an EPC fee of 10%, which more closely matches today's current rate as opposed to the 15% fee used in the base estimate
- 2) Using a lower contingency of 10% on the equipment costs. The base estimate used 20% contingency throughout.
- 3) Using the vendor quotations with the lowest capital cost as opposed to the higher capital cost as was used in the base estimate
- 4) Using non-union labor rates. Union labor rates were used in the base estimate.

**High Estimate:** Base estimate plus the potential market volatility as presented in the volatility analysis dated 9/14/11, and recalibrated to the latest project implementation schedule

**Escalation:** A 4% escalation will be used, which is consistent with the escalation rate used in the base cost estimate

Cost Matrix (costs rounded to nearest million)

	<b>Low (\$ Millions)</b>	<b>Base (\$ Millions)</b>	<b>High (\$ Millions)</b>
<b>Start 2012; In service dates: U1 - 2015 fall, U2 - 2016 fall<sup>(1)</sup></b>			
Cost reductions from Base			
- 10% EPC fee (after reduction due to lower quotes and non-union labor)	-40	N/A	N/A
- Lower equipment contingency of 10% (after reduction of all other factors)	-27	N/A	N/A
- Lower vendor quotes (including all original indirects)	-25	N/A	N/A
- Non-union labor (includes change in overtime costs, and all original indirects) <sup>(3)</sup>	-85	N/A	N/A
Volatility cost increase <sup>(2)</sup>	N/A	N/A	85
<b>Total</b>	<b>895</b>	<b>1,072</b>	<b>1,157</b>
<b>Start 2013; In service dates: U2 - 2016 spring, U1 - 2017 spring (3-4 year schedule)</b>			
Additional Escalation (4% material, equipment, labor) and AFUDC Costs	20	24	25
<b>Total</b>	<b>915</b>	<b>1,096</b>	<b>1,183</b>
<b>Start 2014; In service dates: U1 - 2017 spring, U2 - 2018 spring (3-4 year schedule)</b>			
Additional Escalation (4% material, equipment, labor) and AFUDC Costs	37	44	47
<b>Total</b>	<b>951</b>	<b>1,140</b>	<b>1,230</b>
<b>Start 2014; In service dates: U1 - 2018 spring, U2 - 2019 spring (4-5 year schedule)</b>			
Additional Escalation (4% material, equipment, labor) and AFUDC Costs	38	45	49
<b>Total</b>	<b>989</b>	<b>1,185</b>	<b>1,279</b>
<b>Start 2012; In service dates: U1 - 2017 spring, U2 - 2018 spring (5-6 year schedule)<sup>(4)</sup></b>			
Additional Escalation (4% material, equipment, labor) and AFUDC Costs			
<b>Total</b>			

**Notes:**

1. This scenario is considered to be an aggressive project timeline as procurement and permitting activities were assumed to have already begun.
2. The market volatility cost increase is considered very unlikely at this time, but would have a higher probability the further the project start is delayed.
3. Productivity rate between union and non-union labor assumed to be equal.
4. This scenario presents more risk associated with uncertainty in firm pricing from equipment suppliers and contractors, and the increased potential for long-term storage costs and costs of extended warranties. This scenario will not be calculated at this time as agreed upon with NPPD.